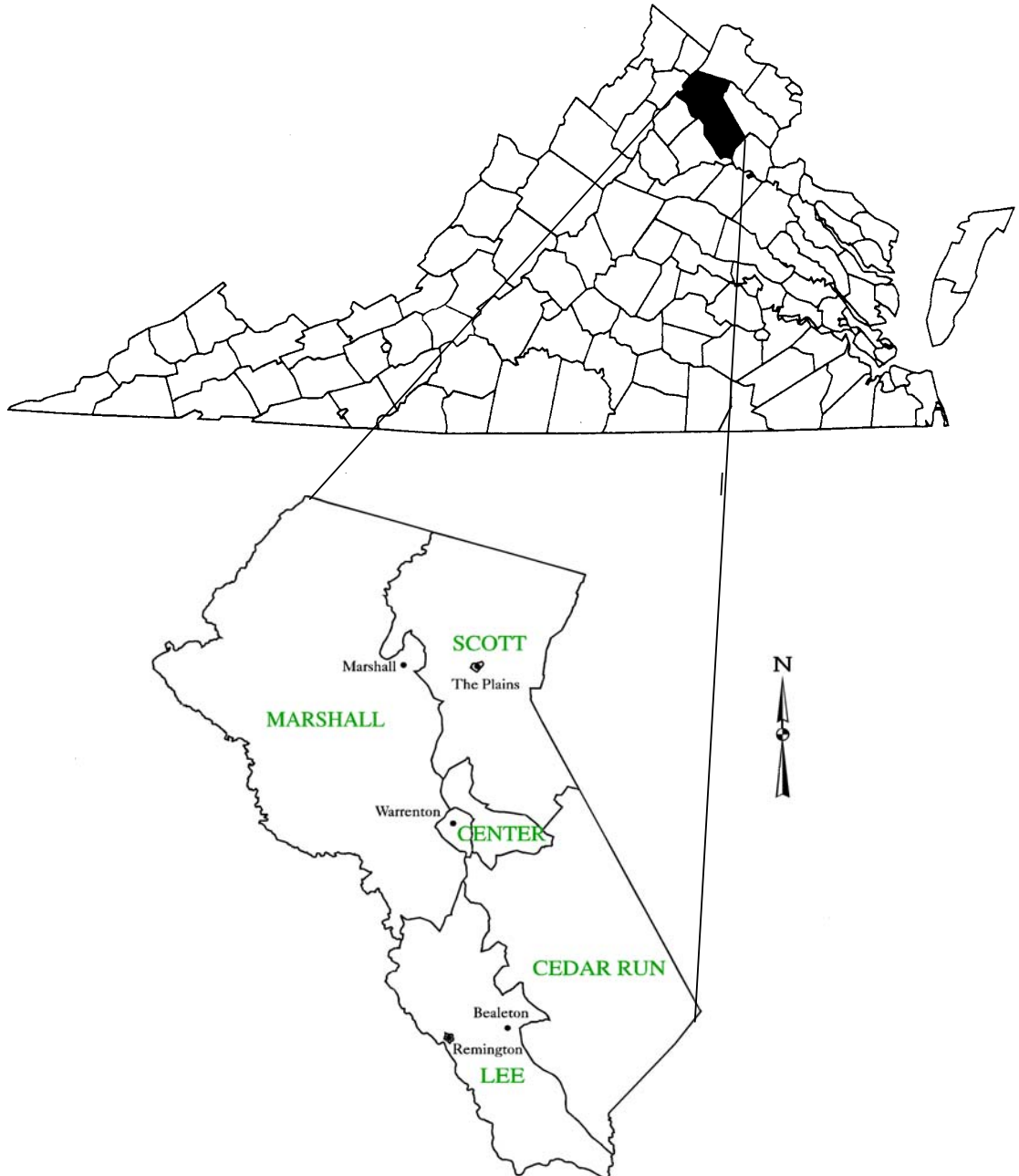


County of Fauquier, Virginia



FAUQUIER COUNTY, VIRGINIA

Once part of the Northern Neck Proprietary, a vast English land grant held by the 6th Lord Fairfax, Fauquier County was created in 1759 from Prince William County and named for Sir Francis Fauquier, the Colonial Lieutenant Governor at that time.

Originally populated by the Manahoacs, Sioux tribe, and later used as a hunting ground by the Iroquois, Fauquier's first immigrants were of German and English ancestry. Brent Town, the first settlement, was established in 1686 in Southern Fauquier. The first settlement in Northern Fauquier was near The Plains in 1726.

During the American Revolution, many County citizens served in the Continental Army, including Captain John Marshall who would later serve the country as Chief Justice of the U.S. Supreme Court.

During the Civil War the county was frequently criss-crossed by both Northern and Southern armies. The history of the war in Fauquier County is dominated by tales of the escapades of Colonel John S. Mosby, a Partisan Ranger whose unorthodox and highly effective maneuvers would now be called guerrilla warfare. Significant Civil War sites and activities are documented in Fauquier's twelve sites on the Virginia Civil War Trails.

Recovery from devastation to the agricultural economy following the war was helped by the arrival in the early 1900s of several prosperous Northern businessmen who came here to fox hunt during the winter months. Their enthusiasm and investments, combined with Virginia's long history of fine horses, established the area as the Hunt Country capital of Virginia, which continues to this day.

The Fauquier County government is organized under the County Administrator form of government (as defined under Virginia law). The governing body of the County is the Board of Supervisors, which makes policies for the administration of the County. The Board of Supervisors consists of five members representing the five Magisterial Districts in the County: Center, Lee, Scott, Marshall, and Cedar Run. The Chairman of the Board of Supervisors is elected from within the Board of Supervisors and serves generally for a term of one year in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to act as the administrative head of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors, and directs business and administrative procedures in the County government. An organizational chart of Fauquier County government is included.

In Virginia, cities and counties are distinct units of government and do not overlap. Fauquier County completely surrounds the Towns of Warrenton, Remington, and The Plains. The County does provide certain government services, such as public education, to the Towns' residents pursuant to agreements with such towns. Property in these towns is subject to County taxation.

The County of Fauquier is located in the north central Piedmont region of Virginia, approximately 40 miles southwest of the nation's capital and approximately 80 miles northwest of Richmond, the state's capital. The County encompasses a land area of approximately 660 square miles. Fauquier County is bordered by the counties of Prince William, Stafford, Culpeper, Warren, Clarke, Loudoun and Rappahannock. The Rappahannock River forms the county's Western border. Interstate 66 runs East-West through the northern portion of the County. In addition, five U.S. primary routes and two state primary routes traverse the County.

Because of its proximity to Washington, D.C., the County has experienced consistent population growth rates over the past ten years. Despite the population growth, the County remains primarily rural in nature.



Fauquier County Mission Statement

Working within the theme of “Progress with Reverence for Heritage” and with a strong commitment to the accomplishment of meaningful improvements to the efficient, effective, and open conduct of the County government, and to the public health, safety, and welfare and educational opportunities, the Fauquier County Board of Supervisors seeks, within the bounds of fiscal integrity, to preserve the physical beauty, historical heritage and environmental quality of the county while ensuring that population growth and development is a positive force on the general welfare of the community.

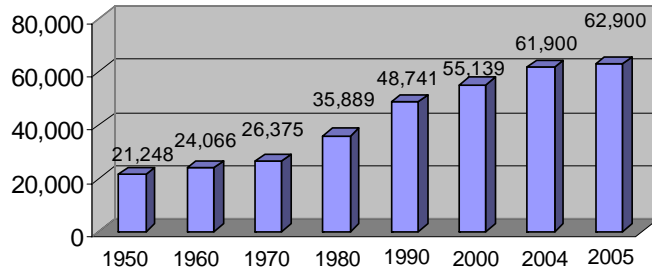
DEMOGRAPHICS

Formed as an Independent County	Chartered in 1759
Present Form of Government.....	Traditional Board of Supervisors-County Administrator (Five Board Members by Magisterial District)
Area.....	660 square miles
Population (July 1, 2005).....	62,900
Registered Voters (May 2006).....	39,628
Median Age (April 2000).....	38
Unemployment Rate (February 2006)	2.4%
County Civilian Labor Force (February 2006)	36,042
Education (Public):	
Number of Elementary Schools	10
Number of Middle Schools.....	5
Number of High Schools	2
Number of Alternative Schools	1
Enrollment 2006 (as of 3/31/06).....	10,847
Libraries:	
Number of Facilities	3
Patrons Registered (March 2005)	32,175
Total Circulation (March 2005).....	309,068
Sheriff's Office Protection:	
Administration	6
Law Enforcement.....	61
Court Services/Civil Process.....	11
Detention Center	36
Support Services	6
Number of Calls for Which a Deputy was Dispatched.....	38,929
Total Calls For Service	70,909
Fire and Rescue Protection:	
Number of Fire Stations.....	5
Number of Rescue Stations.....	2
Combination Fire & Rescue.....	5
Career Personnel	32
Volunteer Personnel.....	605
Parks and Recreation (Public):	
State Parks.....	1
State Forests	1
County Parks.....	26
Wild Life Management Areas.....	3
Swimming Pools	1
Employees:	
General Government.....	611
School Division.....	1,722

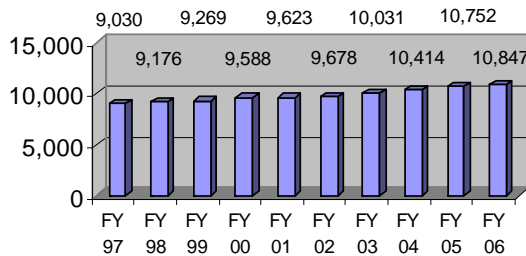
DEMOGRAPHICS

In the past decade the average annual population growth was 13%. In the first five years of the current decade the annual population growth averaged 14%

Population Growth



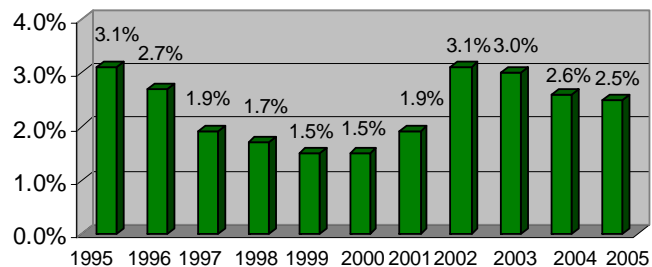
Public School Enrollment



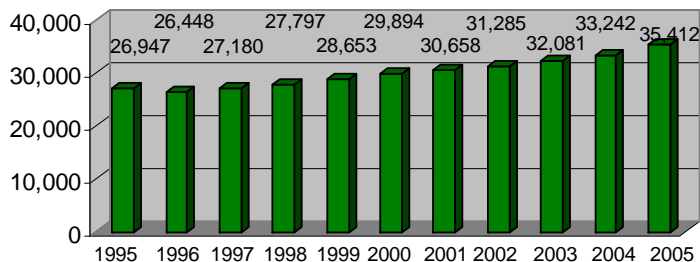
Since FY 1997, student enrollment has increased by 1,817 students or approximately 2.2% per year.

Fauquier County has one of the lowest unemployment rates in the State of Virginia.

Unemployment Rate



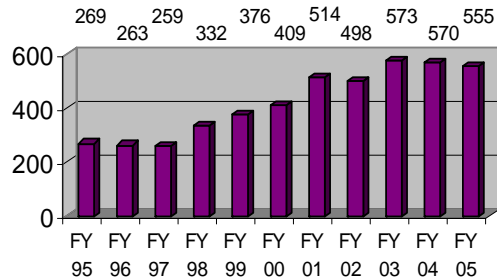
Employment



The current economy conditions have resulted in an increase in the number of employed County residents.

DEMOGRAPHICS

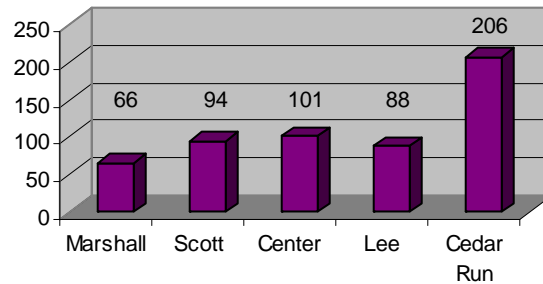
New Single Family Dwelling Construction



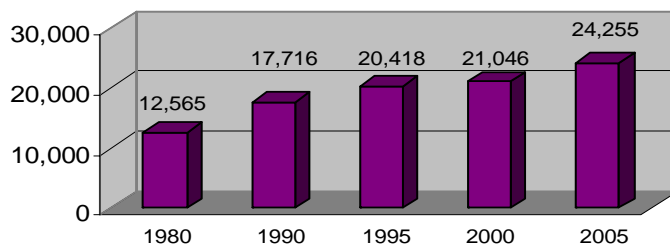
FY 1998 through FY 2001 shows a steady increase for new family dwelling construction, with a small decrease in FY 2002. In the past three years the number of new houses has remained fairly consistent.

Marshall District comprises 12% of the new dwellings, Scott District 17%, Center District 18.1%, Lee District 15.9% and Cedar Run 37%

FY 2005 Magisterial District New Dwellings



Housing Units



Since FY 2000 approximately 3,209 new houses have been built; an increase of 15.2%

BOARD OF SUPERVISORS'

STRATEGIC GOALS AND PRIORITIES

In late FY 2002 the Board of Supervisors approved the development of objectives and measures for their consideration to achieve three primary strategies based on the County's Vision Statement.

Strategies

1. Balance Quality Service with Fiscal Integrity
2. Manage Growth in a Manner which Protects the County's Agriculture, Environment, Quality of Life, and Historic Resources.
3. Conduct County Government Openly

Additionally in CY 2006 the Board of Supervisors approved a number of short and long term priorities most of which directly impacted the adopted strategies.

Priorities

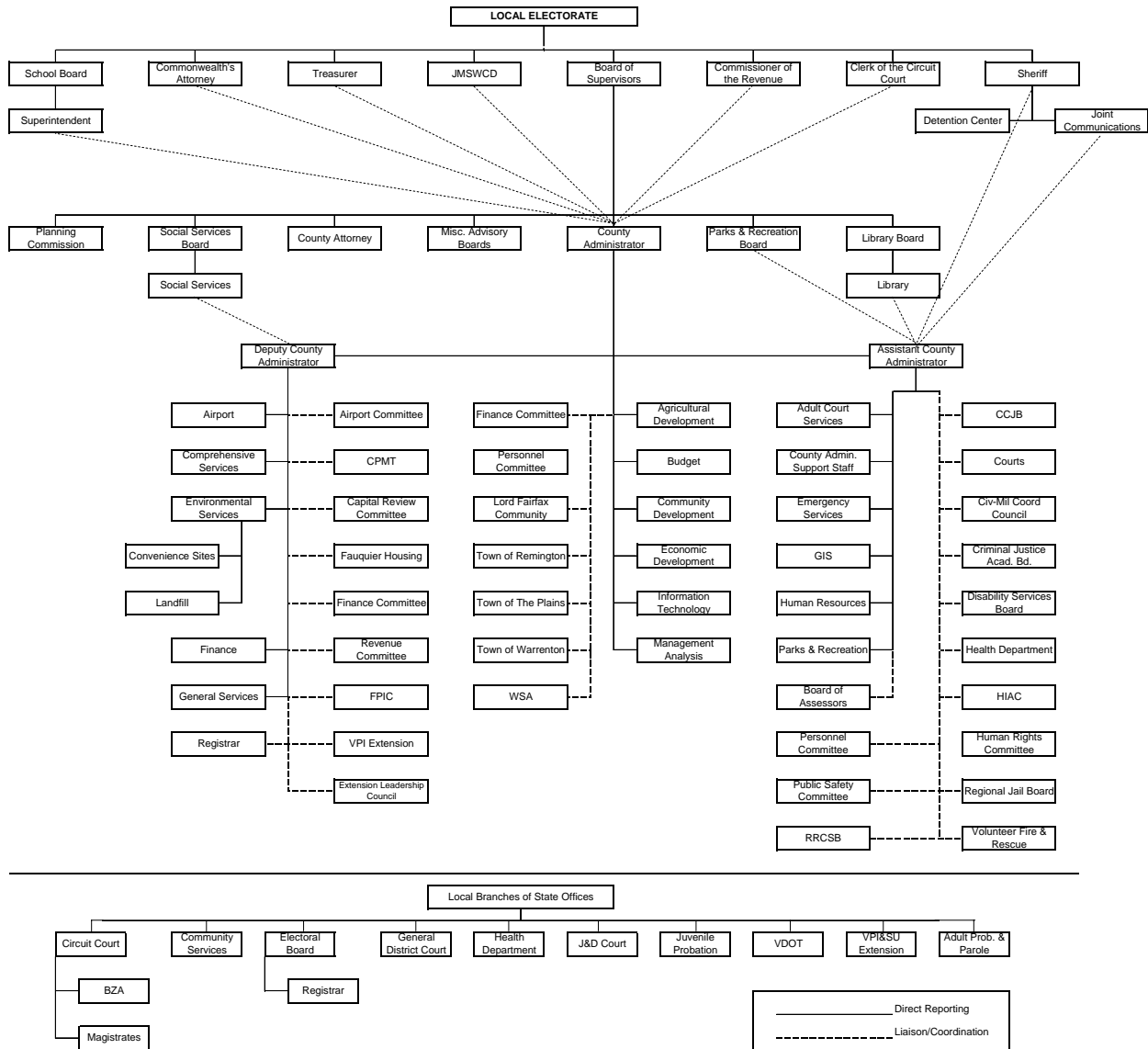
1. Work closely with the School system to jointly plan County and School facilities
2. Reduce the overall County growth rate from 3 percent to 1 percent by recommending strategies that are based on an evaluation of the Comprehensive Plan, Zoning Ordinance and the build-out.
3. Continue to improve the process for approving and expediting industrial and commercial development.
4. Continue collaboration efforts with Fauquier Housing and Fauquier Habitat and identify opportunities for affordable building lots.
5. Continue refinements to Purchase Development Rights (PDR) program and focus on hard edge around service districts.
6. Evaluate the Zoning Ordinance with a goal of eliminating all non-conforming zoning outside service districts and villages that is inconsistent with the Comprehensive Plan.
7. Economic Development to work closely with Vint Hill EDA and Town of Warrenton to encourage promotion of local business.
8. Enhance relations with the Town of Warrenton.
9. Work closely with VDOT and neighboring jurisdictions to meet the strategic transportation needs of the County.
10. Work to ensure the security of all County facilities.

BOARD OF SUPERVISORS' STRATEGIC GOALS AND PRIORITIES

To achieve these goals and attain the priorities established, the County departments and offices have begun translating them into tangible management objectives with measurable results. These objectives and measures are defined in operational terms that everyone can understand. By creating this understanding, the County agencies can more easily align their activities around these strategies and priorities. It will also provide the Board of Supervisors, County Administration and County citizens a clear understanding of what the County Government is striving to achieve and how it expects to get there. These management objectives will serve as a focal point for the allocation of manpower and financial resources throughout the year and during budget development. A semi-annual report on will be prepared on the progress in attaining the County's established priorities and goals. It is anticipated that during the course of this management process, objectives and measures will be refined to improve attainment of the Board of Supervisors' goals and priorities.



FAUQUIER COUNTY ORGANIZATION CHART



PERMANENT POSITIONS - FULL TIME EQUIVALENTS

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
GENERAL GOVERNMENT					
Board of Supervisors	9	9	9	9	1
Budget Office	3.5	3.5	3.5	3.8	4
Commissioner of Revenue	23	23	23	23	23
County Administration	5	5.5	5.5	5.5	8.6
County Attorney	5.6	5.6	5.6	5.6	5.6
Finance	20.7	20.7	21.7	22.6	23.6
Geographic Information Systems	3	3	4	4	5
Human Resource	9	9	9	9	10
Information Technology	13	13	16	16	17
Registrar	4.6	4.6	4.6	4.6	3.8
Treasurer	16	16	16	16	16
Subtotal	112.4	112.9	117.9	119.1	117.6
JUDICIAL ADMINISTRATION					
Adult Court Services	9	9	9	10	10
Circuit Court	1	1	1	1	1
Clerk of the Circuit Court	14	15	15	16	16
Commonwealth's Attorney	9.5	9.5	9.5	9.5	9.5
Juvenile & Domestic Relations Court	1	1	1	1	1
Magistrates	2	2	2	2	2
Subtotal	36.5	37.5	37.5	39.5	39.5
PUBLIC SAFETY					
Juvenile Probation	0.5	0.5	0.5	0.5	0.5
Fire and Emergency Services	24	24	26	32	33
Sheriff	113.5	113.5	113.5	120.5	121
Subtotal	138.0	138.0	140.0	153.0	154.5
PUBLIC WORKS					
Environmental Services - Convenience Sites	0	0	0	0	0
General Services	45	47.5	49.5	52.5	56.5
Subtotal	45	47.5	49.5	52.5	56.5
HEALTH AND WELFARE					
Comprehensive Services	4	4	4	4	4
Public Health	0	0	0	0.5	0
Social Services	38	38.5	39.7	41	42.8
Subtotal	42.0	42.5	43.7	45.5	46.8
CULTURE					
Library	28.6	28.6	33.1	34	35
Parks and Recreation	18.6	21.1	21.4	24.2	28.2
Subtotal	47.2	49.7	54.5	58.2	63.2
COMMUNITY DEVELOPMENT					
Agriculture Development	1	1	1	1	1
Community Development	30	30	37.6	39.6	41.6
Economic Development	3	4	4	4	4
Extension Office	0	0	0	0	0
Hospital Hill	1	1	1	2	2
Subtotal	35	36	43.6	46.6	48.6
FUNDS					
Airport	0	1	2.1	2.1	2.6
Conservation Easement Service District	0	0	0	0	0.8
Environmental Services	18.8	21.5	21.5	22	22
Fleet Maintenance	16	16	16	16	16
Joint Communications	21	22	22.6	22.6	24.6
Subtotal	34.8	38.5	39.6	40.1	41.4
TOTAL	490.9	502.6	526.3	554.5	568.1

PERMANENT POSITION ADJUSTMENTS

APPROVED FOR 2007

Department	Position Title	New or Conversion	Justification
Positions Added:			
<u>General Fund</u>			
Community Development	Office Associate, Zoning	New Full Time	The Office Associate will assist with the significant increase in operational workload.
Social Services	Protection/Adult Services Social Worker	New Full Time	This position is to support a shortfall in staffing to meet the current adult service support requirements.
Social Services	Eligibility Worker	New Full Time	The Eligibility Worker will support the increasing number of clients in transition programs.
Parks & Recreation	Laborer/Custodian, Southern Region	New Full Time	This position is required due to the expansion of two major parks and the addition of three new Southern Region parklands.
Parks & Recreation	Crockett Park Assistant Park Manager	New Full Time	This position is needed to assist in overseeing operations of the County's largest park.
Parks & Recreation	Assistant Director	New Full Time	Due to the significant growth to parkland, facilities, programs and related operational issues, this position will provide essential managerial support.
Parks & Recreation	Office Associate	New Full Time	The Office Associate position will support increased workload due to expansion of facilities and growth in programs.
Geographic Information Systems (GIS)	Water Resource Management Program Project Officer	Conversion Part Time Temporary to Full Time Permanent	To support the growing need to address water resources issues.
Library	Librarian 1, Technical Services, Cataloger	New Full Time	Position will address the growth in books and materials received by the Library.
Information Technology	Network Administrator	New Full Time	To support data center operations for both the County and the School Division.
Library	Librarian 1	Increased Hours	Due to increase in patronage, this position was changed from 14 hours to 25 hours.

PERMANENT POSITION ADJUSTMENTS

Budget Office	Office Associate	Increased Hours	Hours increased from 30 to 40 hours to support expanded clerical workload.
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Parks and Recreation	Recreation Program Assistants (3)	Increased Hours	Each of the three positions was increased by one hour to improve the efficiency and timeliness of Park and Recreation programs.
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Other Funds

Airport	Office Associate	New Part Time	The Airport has expanded responsibilities maintaining the facility. This position will assist the Airport Manager in related clerical duties.
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Conservation Easement Service District	Office Associate	Part Time	New responsibilities justify the conversion from a temporary to permanent position.
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Position Eliminated for FY 2007

Registrar	Office Assistant	Eliminated Part Time	Due to seasonal work, this position is eliminated and temporary assistance will be utilized as needed.
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Positions Added During FY 2006

Department	Position Title	New or Conversion	Justification
<u>General Fund</u>			
Fire and Emergency Services	Fire and Rescue Association (F&RA) Safety Operations Officer	New Full Time	This position, funded by F&RA, will manage the Self-Contained Breathing Apparatus program, radio/pager program, maintains gas meters, conduct fit testing and ensure maintenance of other equipment.
Human Resources	Classification/ Compensation Analyst	New Full Time	The Analyst position will develop and implement internal classification and compensation reviews.
Community Development	Assistant Director	New Full Time	Community Development has 4 divisions with over 41 employees, located in 2 different buildings. This position will allow for greater supervision and coordination.

PERMANENT POSITION ADJUSTMENTS

General Services	Storekeeper	Full Time	The position is to order and maintain materials for stock and control inventory for the major two departments in General Services.
General Services	Communication Technician	New Full Time	This position will review work performances, project/work order status, monitor and maintain parts inventory.
General Services	A-Shop Technician (2)	New Full Time	These two positions will support the requirement to provide over-site for Control Systems and Water Testing.
Sheriff's Office	Office Associate, Adult Detention Center	Full Time	This position will assist the Detention Center staff with increased administrative workload.
Parks and Recreation	Assistant Park Manager	New Full Time	This position will manage the Lake Brittle operation; a new requirement for the County.
Finance	Senior Accountant	New Full Time	The Senior Account (Financial Systems Manager) will coordinate the acquisition and implementation of a new accounting system.
Social Services	Program Assistant	Two Part Time to One Full Time	Positions were combined to improve efficiency.
Finance	Senior Accountant	Conversion From Accounting Clerk	Position upgraded to accomplish higher level duties in managing payroll.
<u>Other Funds</u>			
Warrenton-Fauquier Joint Communications	Dispatcher (2)	New Full Time	Due to an increase in the call volume, two dispatcher positions were required.

BASIS OF BUDGETING

What is a budget? A budget is a formal document that enables the County to plan for the future, measure the performance of County services, and help the public understand where the revenues come from and how these revenues are spent on County services. The Commonwealth of Virginia requires that the County budget be based on fund accounting, which is a way to match the source of revenue (such as taxes, service fees, etc.) with the uses (program costs) of that revenue. Therefore, the County budgets and accounts for its revenues and expenditures in various funds.

The County fund structure is similar to your standard filing cabinet. Each drawer of a filing cabinet is a separate fund, used to account for different sources and uses of revenues. There are five governmental fund types and Fauquier County uses three:

1. Basis of Budgeting and Accounting – Government Funds

The General Fund, Special Revenue Funds and Capital Improvements Fund are those using modified accrual accounting and are budgeted on the same basis. This means that expenditures, other than accrued interest on general long-term debt, are recorded at the time liabilities are incurred and revenues are recorded when received in cash, unless they are measurable. This basis of budgeting is consistent with generally accepted accounting principles (GAAP). Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Fund measurement focus is upon current financial resources, rather than upon net income determination as would apply to a commercial enterprise. The basis of budgeting is the same as the basis of accounts used in the annual audited financial statements.

- a. **General Fund** - The General Fund is the main operating fund where government keeps track of most of its day-to-day functions. All functions that do not fall under the special purposes of the other funds are accounted for in this fund. The sources of revenue for the General Fund operations are primarily locally derived taxes.
- b. **Special Revenue Fund** - Special Revenue Funds account for functions that have sources of revenue that legally must be used for specific services. These revenues can range from grant funding to intergovernmental transfers to support the funds. Currently the County has five such funds; Joint Communications funded through tax on telephone connections, Fire and Rescue funded by a separate tax levy on real estate, Conservation Easement District funded by tax penalties on land in special use tax categories sold for development and funding transferred from the General Fund. School operating funded by State and Federal revenue and transfer from the General Fund, School Text Books funded by a transfer from the School Operating Fund.
- c. **Capital Projects Fund** - This Fund accounts for the purchase, construction or renovation of major capital items, such as buildings or major hardware items. Funding support is provided through transfers from the General Fund, School Fund and bond proceeds. State and Federal funding is included in the transfers. Bond proceeds make up the bulk of the funding support of this Fund. Modified accrual accounting recognizes revenue when available and measurable, and expenditures when measurable and when the liability is incurred with certain exceptions.

BASIS OF BUDGETING

2. Basis of Budgeting and Accounting – Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of net income, financial position and cash flows. Operating revenues include charges for services. These Funds are accounted for using full accrual accounting. Under this accounting method revenues are recognized in the accounting period in which they are earned while expenses are recognized in the accounting period in which the related liability is incurred. Proprietary funds are budgeted similarly except for depreciation.

- a. **Enterprise Fund** - Enterprise funds account for activities that are financed and operated much like businesses. Fauquier County's landfill operation is an enterprise fund, as is the Warrenton-Fauquier Airport, Fleet Maintenance and the School Division's Food Service Operations.
- b. **Internal Service Fund** - Internal Service funds are used to account for financing of goods or services provided by one department or agency to others on a cost reimbursement basis. Fauquier County does not have Internal Services Funds.

3. Basis of Budgeting

Budgeting has several purposes. Budgeting is a formal way to convert the County's long-range plans and policies into services and programs and to communicate these plans to the public. In one sense, each government has two budgets during the course of a fiscal year: a revenue budget and an expenditure budget. The revenue budget outlines the revenues (taxes and fees) that are needed to support the County services, including the rate of taxation to be adopted for the coming fiscal year. The expenditure budget outlines the capital (Capital Improvements Plan) and operating costs (departmental budgets) for services and programs proposed for the coming fiscal year in terms of costs in dollars. Once the Board of Supervisors has adopted the budget, the budget becomes the work plan of goals and objectives to be accomplished during the next fiscal year.

In October the departments submit their budget requests to the Budget Office for review and analysis. After a series of meetings with departments and agencies, final budget decisions are made by the County Administrator in January for his Proposed Budget. This document is submitted to the Board of Supervisors early in February of each year. The Board of Supervisors reviews the proposed budget during February and March. A public hearing is held to obtain citizen comments on the budget in March and the Board of Supervisors adopts the budget and sets tax rates for the coming year prior to April 1st.

During the fiscal year, a Board of Supervisors' Finance Committee consisting of two Board of Supervisors' members accepts and reviews department requests for budget adjustments. Primary staff support for this Committee is the Budget Office. Adjustments to the budget can be requested for several reasons: receipt of grant funding from local, state, federal, or private sources; emergency expenditure authority request; internal funding reallocations to better appropriate resources for agency operations, etc. On the basis of these reviews, the Finance

BASIS OF BUDGETING

Committee forwards the requests, with or without a Committee recommendation, to the Board of Supervisors during the next regularly scheduled Board of Supervisors' meeting for discussion, public comment, and ultimate decision on the request. If the amount of the request(s) exceeds one percent of the budget or \$500,000, a public hearing for citizens' comments is required before action can be taken by the Board of Supervisors.

Citizen involvement and understanding of the budget is a key part of the budget process. During the budget process, briefings are provided to various citizen groups to provide information and solicit concerns about the budget. There are also many active committees and task forces that report to the Board of Supervisors on key issues affecting local government and the many communities in the County. To better serve the community, most budget related documents and minutes from committees of Finance and Capital Improvements are posted on the Budget Office's internet web page. The internet web page is also used for citizen inquiries and the Budget Office's response. The Budget Office serves as the media point of contact for questions on the budget.



FISCAL YEAR 2007 BUDGET CALENDAR

August

23 Budget Kickoff
Budget Submission Packets Distributed to Department Heads,
Constitutional Officers and Agencies

October

6 Budget Requests due to Budget Office
17 Strategy Focus Team Review Packets Distributed
24 Strategy Focus Team Results due to Budget Office

January

9, 19, 20, 26, 30 County Administrator Meets with Department and Agency
Heads & Constitutional Officers.

February

9 School Budget Request to Budget Office
9 School Division Budget Presented to County Administrator
28 County Administrator's Proposed FY 2007 Budget Delivered
to Board of Supervisors

March

1, 2 Advertise Public Hearing on County Budget and Tax Rate
8, 9 Advertise Public Hearing on County Budget and Tax Rate
9 Board Budget Work Session
14 Board Budget Work Session
16 Board Budget Work Session includes Joint Session w/School
Board
21 Board Budget Work Session
21 Public Hearing for Citizens Comments on the FY 2007
Proposed Budget and Tax Rates
23 Board Budget Work Session
30 Board Budget Work Session
30 FY 2007 Budget, Capital Improvement Plan and Tax Rate
Adopted

June

30 Adopted Budget Book Printed/Distributed

POLICIES AND PROCEDURES

FINANCIAL POLICIES AND PROCEDURES

The following is a brief description of the financial policies that have been adopted to manage the County's resources and contribute to its strong fiscal condition. In brief, the County's financial policies address actions in the following areas:

- Current Year Reviews
- Budget Adjustments
- Cash Management/Investments
- Debt Management
- Use of Current Revenues
- Risk Management
- Capital Improvement Planning

Current Year Review

The Budget Office has operational responsibility to review the budget execution of all-operating agencies, separate funds and capital construction projects. As part of this task is the preparation of quarterly reports that show the County's financial strength for the budget year. Included in this report is an analysis of revenue projections. Emphasis is given to a mid-year report, which is a key document used in financial decisions for the remainder of the year. Special reports are also provided on a case-by-case basis on issues of importance.

Budget Adjustments

To address changes to the fiscal plan, the Board of Supervisors has approved a Transfer and Supplemental Appropriation Policy to establish procedures for processing requests to change the adopted fiscal plan. Included in the Policy are the specific approvals required to implement any proposed change. There are two kinds of budget adjustments that take place during the fiscal year: **Transfer** and **Supplemental Appropriation**.

Transfer

A transfer involves the movement of budgetary appropriations within a departmental or agency budget or between agency budgets, provided that all actions take place within the same fund.

Intra-Departmental

A transfer moving funds from one line item to another line item in the same department is an intra-departmental transfer. Constitutional Officers have transfer approval authority of up to \$6,000 within their own organizations. The Budget Office has the approval of all other intra-departmental transfers up to \$6,000 and the County Administrator has approval of transfers over \$6,000.

The Board of Supervisors is the approval authority, upon review and recommendation of the Finance Committee, for all transfers from the Undedicated Contingency Reserve or a Dedicated Reserve. With the review and recommendations of both the Finance and Personnel Committees, the Board of Supervisors is the approval authority for all intra-departmental transfer requests to establish full-time or part-time permanent positions or create a multi-year financial commitment.

POLICIES AND PROCEDURES

Inter-Departmental

A transfer between two departments or agencies in the same fund is an inter-departmental transfer. Any inter-departmental transfer requests will have the explicit approval of all department heads involved in the action. Transfer approval for requests \$6,000 or less is the Budget Office, \$6001 to \$25,000 is the County Administrator and over \$25,000 is the Finance Committee. As with intra-department transfers, the Board of Supervisors has approval authority for transfer request involving new positions or that affects any budget reserve account.

Supplemental Appropriations

Supplemental appropriations involve actions that increase the overall budget appropriations for the County Budget or a Fund contained therein. Funding sources for these changes may include grants, unanticipated revenues, inter-Fund transfers or the use of Fund Balance.

All requests for supplemental appropriation require Board of Supervisors' approval upon the recommendation of the Finance Committee.

Public Hearing

The Commonwealth of Virginia requires a public hearing when supplements to the budget exceed the lesser of \$500,000 or 1 percent of the total budget. The Budget Office has administrative responsibility to ensure the Code of Virginia requirements are met in regard to budget adjustments.

School Division Categorical Transfers

Transfers between School Division budgetary categories shall also require Board of Supervisors' approval only if the School Budget was approved using categorical appropriations.

Capital Fund, Fund Transfers

The Board of Supervisors is the approval authority, upon recommendation from the Finance Committee, for all requests for transfer between Capital Fund projects.

Balanced Budget

The entire Budget, including all appropriated funds, will be balanced with adopted projected revenues equal to adopted expenditure appropriations.

Cash Management/Investments

Maintaining the safety of the principal of the County's public investment is the highest priority in the County's cash management policy. The secondary and tertiary priorities are the maintenance of liquidity of the investment and optimization of the rate of return within the parameters of the Code of the Commonwealth of Virginia, respectively. Funds held for future capital projects shall also be invested in accordance with these objectives, and in such a manner so as to ensure compliance with U.S. Treasury arbitrage regulations. Staff from the Treasurer's Office has developed policies and procedures to serve as a guide in the cash management process.

POLICIES AND PROCEDURES

Debt Management

It is the County's policy to manage debt within the guidelines identified in the Capital Improvement Program. Specifically, debt service expenditures as a percentage of General Fund revenues should remain under ten percent.

Use of Current Revenues

Although a number of options are available for financing the proposed capital improvement program, including bond proceeds and grants, it is the policy of the County to balance the use of the funding sources against the ability to utilize current revenue or pay-as-you-go financing for capital projects. Financing capital projects from current revenues indicates the County's intent to show purposeful restraint in incurring long-term debt. No explicit maximum level or percentage has been adopted for capital projects from current revenues as capital projects and use are based on the merits of the particular project in relation to an agreed upon set of criteria. Use of current revenue is a funding option.

Risk Management

Continuing growth in County assets and operations increases the potential for catastrophic losses resulting from inherent risks that remain unidentified and unanticipated. In recognition of this, the County has adopted a policy of professional and prudent management of risk exposures.

- To protect and preserve the County's assets and work force against losses which could deplete County resources or impair the County's ability to provide services to its citizens;
- To institute all practical measures to eliminate or control injury to persons, loss to property or other loss-producing conditions; and,
- To achieve such objectives in the most effective and economical manner.

While the County's preference is to fully self-insure, various types of insurance such as general liability, workers' compensation and automobile, are supported by pooled insurance with other jurisdictions. Commercial options remain viable alternatives when they are available at an affordable price.

Capital Improvement Planning

It is County policy to balance the need for public facilities, as expressed by the countywide land use plan, with the fiscal capability of the County to provide for those needs. The ten-year Capital Improvement Program (CIP), submitted annually to the Board of Supervisors, is the vehicle through which stated need for public facilities is analyzed against the County's ability to pay and stay within its self-imposed debt guidelines.

Fiscal Impact Model

The County is developing a Fiscal Impact Model. This model is expected to be operational prior to FY 2008. The purpose of this model will be to assist policy makers and staff to foresee future needs for management growth. A number of neighbor jurisdictions are using various types of Fiscal Impact Model for this purpose.

POLICIES AND PROCEDURES

FINANCIAL MANAGEMENT TOOLS & LONG RANGE PLANNING DOCUMENTS

This section is intended to provide a brief description of some of the financial management tools and long range documents used by the County. These tools and planning documents include:

- *Budget*
- *Revenue Forecast*
- *Management Initiatives*
- *Capital Improvement Program*
- *Ten Year Financial Plan*

Budget

The primary financial management tool used by the County is the annual budget process. This involves a comprehensive examination of all expenditure and revenue programs of the County, complete with public hearings and approval by the Board of Supervisors.

Revenue Forecast

The county has a Revenue Committee headed by the Deputy County Administrator and staffed by the County Budget Office, Treasurer's Office, Commissioner of the Revenue, School Budget Office and the Finance Department. Revenue estimates are monitored on a monthly basis by this committee to identify any potential trends that would significantly impact the various revenue sources that have been budgeted in the current budget. The Revenue Committee includes revenue collection and formulation of applicable revenue collection information into a monthly management Finance Committee report. This document is included in the Budget Office's quarterly budget status report. The Revenue Committee provides the primary revenue estimates for budget development.

Management Initiatives

The County has undertaken several management initiatives in its ongoing mission to make its government more productive, streamlined and efficient. Major initiatives designed at improving public service in Fauquier County government include:

- Customer Service Task Force
- E-Government Task Force
- Training and Staff Development Task Force
- Integrated Process Improvement Teams
- Succession Management Programs
- Management Objectives and Performance Measures

Capital Improvements Program

A description of this element as a long-range financial management tool is provided in the Capital Improvements Fund section of the budget.

POLICIES AND PROCEDURES

Ten Year Financial Plan

One of the Board of Supervisors' goals has been the development of a ten (10) year revenue and expenditure General Fund and Fire and Rescue Levy projection. The purpose of this document is to serve as an analytical tool in operational decision-making. Included in this document is the Capital Improvements Program. The initial Plan was completed in early FY 2002. Annually the Board of Supervisors and senior County administrative staff meet early in the budget development process to review the Plan. The purpose of this meeting is to identify major budget issues for consideration in preparation of the budget. The Financial Impact Model will be used to improve the Ten Year Financial Plan's financial and operational projections.

Fund Balance

In FY 2003 the Board of Supervisors adopted a General Fund, Fund Balance Policy which established the level of fund balance and the protocol for its use and maintenance. The policy is established on the modified accrual basis of accounting for governmental funds. Other funding fund balances are also addressed.

Fund Balance Requests

The County sets the level of General Fund, fund balance needed to mitigate risks and minimize costs associated with debt as follows:

1. The minimum level of unreserved, undesignated fund balance at each fiscal year end is ten (10) percent of general operating revenues. This amount is identified as the minimum amount needed to safeguard the County's financial stability and as a component in maintaining its bond ratings.
2. This fund balance level is estimated to provide the County with sufficient funds to operate in excess of three month without interrupting service levels due to a lack of revenue.
3. Fund balances are invested in financial instruments as deemed appropriate by the County Treasurer. Investment revenue will accrue to the General Fund.

Fund Balance Uses

1. During the fiscal year, new appropriations are supported by sources of funds in the following order:
 - a. The transfer of existing appropriations for other uses with a higher priority;
 - b. New sources of revenue;
 - c. Contingency reserves; and
 - d. Unreserved, undesignated fund balance.
2. Appropriations from the fund balance below the minimum of ten percent of operating revenue will only occur in the event of emergency needs as approved by the Board of Supervisors.

POLICIES AND PROCEDURES

3. Unreserved, undesignated fund balance amounts exceeding ten percent will be transferred to the Capital Projects Fund Construction Reserve account for future construction needs.
4. Fund balance is evaluated during the annual budget process with the intent of the Board of Supervisors to adopt a budget that maintains the 10 percent target.

Policy Compliance

1. The County's Finance Department in coordination with the Budget Department submits an annual fund balance status report to the County Finance Committee upon completion of the annual audit. If the County does not meet its target, a compliance plan is required to be submitted to the Board for consideration which will meet the target by the end of the subsequent fiscal year.
2. The annual adopted budget will address compliance with attaining the 10 percent fund balance target.

Fund Balance Requests – Other Funds

1. Capital Projects Funds
Fund balances in the Capital Projects Fund are maintained to support the projects adopted in the Capital Improvement Program. The balances in these funds are primarily reserved or designated for specific projects/uses.
2. Special Revenue Funds
 - a. Any revenue in excess of expenditures is retained in these funds (Environmental Services, Joint Dispatch, Volunteer Fire & Rescue and Conservation Easement Service District).
 - b. The use of the fund balance is coordinated through the Finance Committee and requires the approval of the Board of Supervisors for its use.
3. Schools Operating Fund
 - a. The Schools Operating Fund does not maintain a fund balance.
 - b. At each fiscal year-end if revenue exceeds expenditures, after accounting for carry forward expenditures, the surplus is allocated by resolution with 50% for non-recurring priorities, and 50% transferred to the Capital Projects Fund for future school construction projects.
4. Proprietary Funds
 - a. The County currently has five Proprietary Funds: Solid Waste, Airport, Fleet Maintenance, School Nutrition and Health.
 - b. The use of the fund balance is coordinated through the Finance Committee and requires the approval of the Board of Supervisors for its use.